BRITISH COLUMBIA

TEACHERS' PENSION PLAN

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ANNUAL REPORT

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BRITISH COLUMBIA

TEACHERS' PENSION PLAN

ANNUAL REPORT 1999

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BOARD AS OF DECEMBER 31, 1999

Chair, **John W. Cook**
Plan Member Representatives
British Columbia Teachers' Federation
Karen Harper, Bob Shanks, Bruce Watson
Government Representatives
Joan Axford, Bruce Kennedy, Tom Vincent

MESSAGE FROM THE BOARD

I am pleased to present you with the Teachers' Pension Plan Annual Report for the fiscal year ending December 31, 1999. There are currently about 47,000 active plan members and about 15,000 retired members.

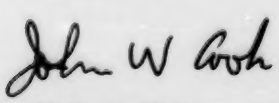
The Teachers' Pension Plan is financially sound—net assets grew over 14% in 1999 to $10.4 billion at December 31,1999. At least every three years, an independent actuary assesses the financial health of the plan. At the last actuarial valuation on December 31, 1996, the Teachers' Pension Fund's unfunded liability decreased to $1.34 billion, relative to the prior valuation in 1993 of $1.72 billion. The liability also decreased from 92% to 66% of the total payroll upon which contributions are made. The next valuation will be as at December 1999, and results are anticipated in late 2000. The plan has a funding policy embedded in legislation to provide for the long-term reduction of the unfunded actuarial liability.

In 1999 the Teachers' Pension Board participated in major consultations regarding pension reform. This led to new legislation—the *Public Sector Pension Plans Act*—which was tabled in the legislature and received Royal assent in July 1999, and which was fully in effect on April 1, 2000. The new legislation simplifies public sector pension plan administration and management. It also provides a mechanism for public sector pension plan stakeholders—government, employers, unions and plan member associations—to pursue a joint trustee arrangement if they wish. See "Roles and Responsibilities" for more details about the legislative changes.

The Teachers' Pension Board continues to focus on communication with plan members as one of its highest priorities. See the "Member Services" section of this annual report for more details.

For the second year in a row there was an early retirement program for teachers. As a result, almost 1,800 pensions were granted, close to a 30% increase over 1998 and a 70% increase over 1997. During 1999 the commission focussed on readying critical systems as part of the government-wide Year 2000 effort, and on implementing a new pre-retirement pension administration system.

The year under review has been a significant one for the Teachers' Pension Plan, and as we head into the new millennium, we intend to challenge the Pension Corporation to provide high standards of service delivery to all plan contributors and retired members.



John W. Cook, Chair

THE PLAN AND ITS PARTICIPANTS

The Teachers' Pension Plan is a contributory defined benefit pension plan. This means that the employee's basic pension is guaranteed regardless of the financial health of the plan. Benefits are based on the employee's highest five years of salary, length of service and age at retirement. The plan provides entitlement to a pension benefit after two years of enrolment. The plan also provides survivor and disability benefits.

Membership in the Teachers' Pension Plan is open to all certified teachers, associated professionals, administrative officers and superintendents or assistant superintendents employed by a board of school trustees in the British Columbia public school system, and to eligible employees of other employers approved by the Teachers' Pension Board. Once an employee elects or qualifies to contribute to the plan, contributions continue as long as the employee remains with the employer, or until the employee has completed 35 years of pensionable service.

Participating employers are the school districts, the College of Teachers, the Teachers' Qualification Service, the British Columbia School Superintendents' Association, the British Columbia Principals' and Vice Principals' Association, the Francophone Education Authority and the British Columbia Teachers' Federation.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

INVESTMENTS AS AT DECEMBER 31, 1999

($ Billions)

	Performance Benchmarks 1999	1999	1998
Market Value		$10.4	$9.1
Market Value Rates of Return			
Basic Account			
Annual	15.8%	14.4%	9.7%
Five-year Average	14.8%	14.6%	11.6%
Inflation Account			
Annual	6.1%	14.9%	9.3%
Five-year Average	5.2%	14.5%	11.1%

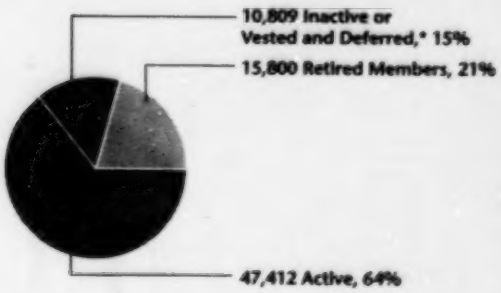
LATEST ACTUARIAL VALUATION, DECEMBER 31, 1996

($ Billions)

	Basic Pension Benefits Net Unfunded Liability	
	1996	1993
For Funding Purposes (statutory contributions)*	$1.34	$1.72
Ratio of Unfunded Liability to Covered Payroll*	66%	92%
Based on Accrued Benefits to December 31	$1.42	$1.78

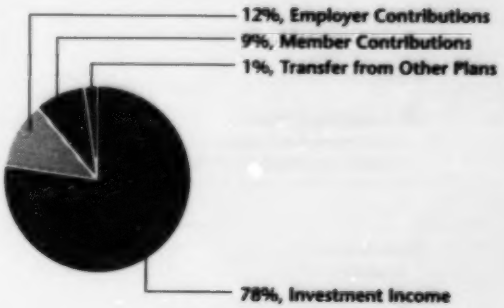
*Assuming contributions continue at existing statutory rates.

1999 MEMBERSHIP PROFILE

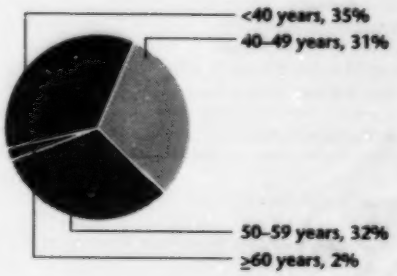


*Members no longer employed, but with money in the plan.

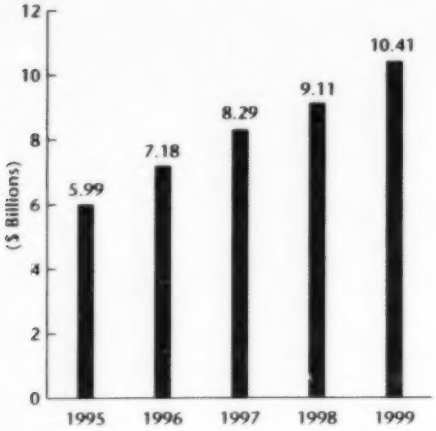
1999 REVENUE



1999 AGE PROFILE OF ACTIVE CONTRIBUTORS



NET ASSETS AVAILABLE FOR BENEFITS AS AT DECEMBER 31, 1995–1999



FIVE-YEAR SUMMARY STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS (UNAUDITED)

($ Thousands)

For the year ended December 31	1999	1998	1997	1996	1995
Increase in Assets					
Net Investment Income					
Total Investment Income	$ 1,324,510	$804,742	$1,074,963	$1,128,837	$806,860
Investment Management Costs	(11,881)	(12,236)	(11,625)	(7,600)	(6,552)
	1,312,629	792,506	1,063,338	1,121,237	800,308
Contributions					
Members	145,989	144,052	144,083	140,518	129,598
Employers	204,396	202,263	199,083	195,263	187,808
Province of British Columbia	–	9,692	–	–	–
Transfers from Other Plans	16,895	11,261	7,367	11,021	7,306
Total Increase in Assets	1,679,909	1,159,774	1,413,871	1,468,040	1,125,020
Decrease in Assets					
Pension Benefits	335,797	301,238	270,853	246,925	222,195
Termination Benefits	12,921	12,971	11,451	8,579	7,447
Transfers to Other Plans	2,936	3,695	3,733	3,909	1,123
Retired Member Group Benefits	18,461	15,727	14,361	11,871	10,184
Pension Administration Costs	5,826	6,345	4,725	3,585	3,368
Total Decrease in Assets	375,941	339,976	305,123	274,869	244,317
Increase in Net Assets	1,303,968	819,798	1,108,748	1,193,171	880,703
Net Assets Available for Benefits at Beginning of Year	9,108,511	8,288,713	7,179,965	5,986,794	5,106,091
Net Assets Available for Benefits at End of Year	$10,412,479	$9,108,511	$8,288,713	$7,179,965	$5,986,794
			As a Percentage of Net Assets		
Pension Administration Costs	0.06%	0.07%	0.06%	0.05%	0.06%
Investment Management Costs	0.11%	0.13%	0.14%	0.11%	0.11%

ROLES AND RESPONSIBILITIES

TEACHERS' PENSION BOARD

The Teachers' Pension Board oversees the Teachers' Pension Plan. The board includes representatives from employers and members. The *Public Sector Pension Plans Act*, which replaces legislation that previously governed the plan, was passed in 1999 and came into full force on April 1, 2000.

The Teachers' Pension Board has seven members: three are named by the British Columbia Teachers' Federation and three by the provincial government. The chair is appointed by government and is the trustee of the plan. The board has two committees:

- Benefits Committee, and
- Disability Pension Committee.

Board representatives also participate on several interplan committees that deal with matters of common interest to the statutory BC pension plans (Teachers', College, Municipal and Public Service). These committees are:

- Interplan Audit Committee, and
- Interplan Communications Committee.

BRITISH COLUMBIA PENSION CORPORATION

The *Public Sector Pension Plans Act* created two crown corporations. The British Columbia Pension Corporation (Pension Corporation), which replaced the Superannuation Commission effective April 1, 2000, is responsible for administering pension benefits. The Pension Corporation's board is made up of members nominated from the statutory pension boards (Teachers', College, Municipal, Public Service).

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Effective January 1, 2000, the British Columbia Investment Management Corporation (bcIMC) replaced the Office of the Chief Investment Officer of the Ministry of Finance and Corporate Relations. The bcIMC is responsible for investment management within asset mix policies approved by the trustee. The bcIMC's board also includes representatives from all the statutory pension boards.

INVESTMENTS

MESSAGE FROM THE CHIEF INVESTMENT OFFICER

Markets

Last year was another strong year for the Teachers' Pension Plan. The basic account earned a 14.4% return, and the inflation account earned a 14.9% return.

Within the domestic asset classes, 1999 was a mirror image of the previous year. Specifically, in 1998 government bonds had a strong year (9.4%), but the return from stocks was disappointing (the TSE 300 Index declined 1.6%). In 1999, higher interest rates led to low returns from bonds (Scotia Capital Government Bond Index return of -1.4%), but Canadian stocks were a stellar performer (31.7% for the TSE 300). Such market conditions clearly show the benefits of maintaining a well-diversified portfolio.

There were three main themes for equity markets during 1999. The first was the dominance of telecommunications and technology companies. Investors are expecting strong earnings growth from these companies and, as a result, their share prices have been pushed much higher.

The second theme was the narrowness of market leadership. Most of the increase in 1999 came from a few companies. In fact, without BCE (Bell Canada Enterprises) and Nortel Networks, the TSE 300 Index would have appreciated by only 8.8% in 1999. The positive side of the narrow leadership is that there is still scope for further appreciation. The negative side is that the growth of these companies has led to high valuations and a more concentrated equity market. The narrowness of the market also created a difficult environment for active equity managers, as our external managers underperformed the TSE 300 Index by 12.3% in 1999.

The final theme of capital markets has been a high degree of volatility. Investors have been nervous about rising interest rates and high equity valuations. Therefore, they have reacted quickly, and severely, to both positive and negative news.

Looking forward, we expect the high level of market volatility to continue, until there is more definitive evidence that U.S. economic growth has slowed to a more sustainable level.

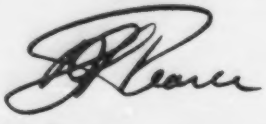
Organizational Change

The *Public Sector Pension Plans Act* not only provided the ability to change the governance framework for the statutory pension plans, but it also fundamentally altered the structure of the agencies that provide services to the plans. The Office of the Chief Investment Officer has been replaced by a Crown corporation called the British Columbia Investment Management Corporation (bcIMC).

The bcIMC was established in November 1999 and assumed responsibility for managing the trust assets on January 1, 2000. The purpose of this change in structure was twofold. First, it reduces the potential for perceived conflicts between being government employees and our fiduciary duty to the trust clients. Second, it improves the governance and accountability framework by giving our clients a more meaningful say in the management of the investment agency.

Under the new structure, bcIMC has a seven-person Board of Directors made up from its clients. This includes one representative from the Teachers' Pension Board. The Board of Directors is responsible for overseeing the administration of the corporation (e.g., approval of budgets, business plan, financial statements, etc.). The board, however, is legislatively prohibited from getting involved in investment decisions. These will continue to be made by investment professionals, in accordance with the guidelines and the policies established by the fund's trustee.

The new structure represents an important step forward for the agency, and is welcomed by me and by the bcIMC staff. I am confident that the changes will lead to a stronger and more dynamic organization that is better positioned to meet the challenges of global fund management on behalf of your fund.



Doug Pearce
Chief Investment Officer/Chief Executive Officer
British Columbia Investment Management Corporation

APPROVED INVESTMENT ASSET MIX

The Teachers' Pension Fund holds a diversified portfolio of debt and equity investments that facilitates prudent management of risk. The plan's net assets grew 14.3% in 1999 to over $10 billion at December 31, 1999.

The asset mix range in the accompanying chart was approved by the trustee. Strategic and short-term asset allocation targets are set within these ranges. Short-term for asset mix purposes includes Canadian government bonds with one- to five-year terms and money market funds.

APPROVED INVESTMENT ASSET MIX

	Market Value	
Asset Class	**Lower Limit**	**Upper Limit**
Debt	**30%**	**50%**
Short-term	0%	30%
Bonds	20%	50%
Mortgages	0%	10%
Equity	**50%**	**70%**
Canadian Stocks	20%	50%
U.S. Stocks	0%	14%
International Stocks	0%	14%
Real Estate	0%	10%
Private Placements	0%	4%

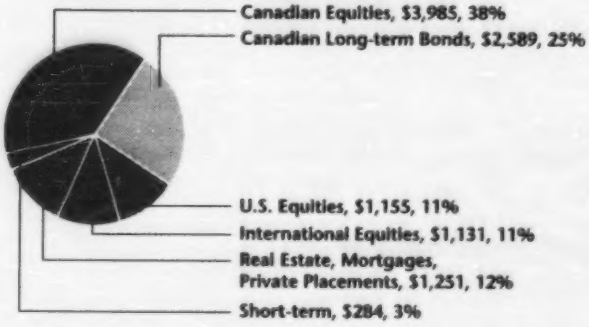
INVESTMENT PORTFOLIO

INVESTMENTS HELD AS AT DECEMBER 31, 1999

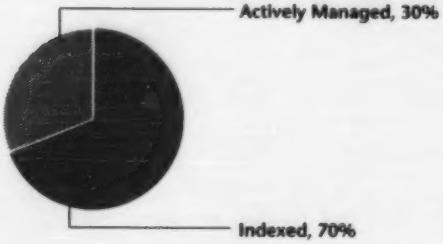
	Market Value	Asset Mix % Market Value
Money market	$69,913,179	1%
Canadian Bonds		
Government	1,973,444,610	
Corporate	458,294,522	
Long-term	411,106,777	
Short-term (1-5 years)	214,578,644	26%
Canadian Equities		
Indexed	2,788,461,941	
Actively Managed	1,189,546,599	38%
U.S. Equities		
Indexed	708,226,008	
Actively Managed	447,061,910	11%
International Equities		
Asia	133,588,976	
Europe	319,723,179	
Europe, Australia and the Far East	677,228,759	11%
Real Estate	704,149,832	7%
Mortgages	355,884,453	3%
Private Placements	185,317,175	2%
Total Pooled Portfolios	10,266,526,564	99%
Canadian Real Return Bonds	116,353,760	1%
Canadian Equities	7,099,598	
Real Estate	5,312,048	
Total Investments	$10,395,291,970	100%
1998 Comparison	$9,083,847,853	

1999 INVESTMENT HOLDINGS (MARKET VALUE)

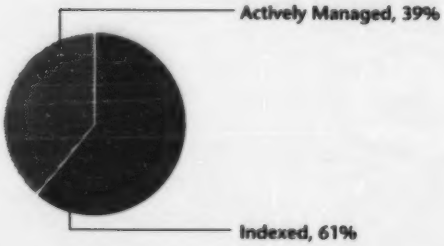
($ Millions)


Canadian Equities, $3,985, 38%
Canadian Long-term Bonds, $2,589, 25%
U.S. Equities, $1,155, 11%
International Equities, $1,131, 11%
Real Estate, Mortgages, Private Placements, $1,251, 12%
Short-term, $284, 3%

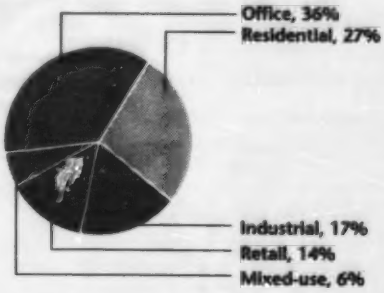
CANADIAN EQUITIES (MARKET VALUE)



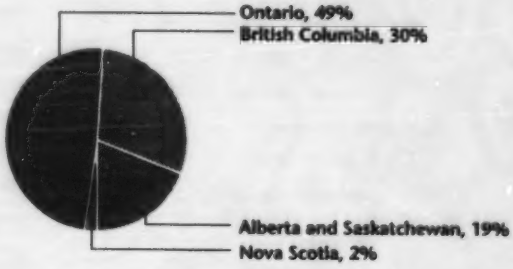
U.S. EQUITIES (MARKET VALUE)



REAL ESTATE POOL, BY TYPE



REAL ESTATE POOL, BY LOCATION



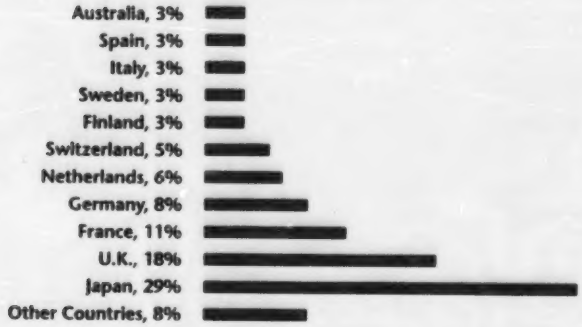
CANADIAN EQUITY POOLS, BY SECTOR

	Indexed	Actively Managed
Paper and Forest Products	2%	4%
Conglomerates	3%	4%
Gold and Silver	3%	3%
Communications and Media	7%	5%
Mines and Minerals	4%	4%
Utilities	16%	10%
Consumer Products	4%	6%
Oil and Gas	8%	11%
Industrial Products	31%	27%
Financial Services	15%	19%
Other	7%	7%

U.S. EQUITY POOLS, BY SECTOR

	Indexed	Actively Managed
Integrated Oils	5%	3%
Materials and Processing	3%	6%
Utilities	10%	8%
Producer Durables	8%	8%
Consumer Discretionary	10%	12%
Financial Services	13%	10%
Consumer Staples	8%	8%
Health Care	9%	9%
Technology	30%	31%
Other	4%	5%

INTERNATIONAL EQUITIES



INVESTMENT PERFORMANCE

NET EARNED RATE OF THE FUND

Year	%
1990	10.3
1991	10.3
1992	8.0
1993	7.3
1994*	10.2
1995	11.2
1996	11.7
1997	14.0
1998	11.6
1999	14.6

*From 1994 forward, the rates of return are based on a five-year average.

MARKET VALUE RATES OF RETURN FOR THE YEAR ENDED DECEMBER 31, 1999

	Basic Account	Inflation Adjustment Account	Basic Account Performance Benchmarks	
Five-year Average Rates				
1999	14.6%	14.5%	14.8%	
1998 Comparison	11.6%	11.1%	11.7%	
Annual Rates				
1999	14.4%	14.9%	15.8%	
1998 Comparison	9.7%	9.3%	10.5%	
1999 Annual Rates by Investment Category			**1999 Performance Benchmark Indices**	
Short-term				
Money-market	5.0%	5.0%	4.7%	SCI 91 Day Treasury Bills
Bonds	2.5%	2.5%	2.3%	SCI Short-term Bonds
Bonds				
Government	-1.5%	-1.5%	-1.4%	SCI Government Universe
Corporate	0.0%	0.0%	-0.2%	SCI Corporate Universe
Real Return		7.7%		
Canadian Equities				
Actively Managed	19.4%	19.4%	31.7%	TSE 300
Indexed				
TSE 300	31.5%	31.5%	31.7%	TSE 300
TSE 100	32.2%	32.2%	32.8%	TSE 100
U.S. Equities				
Actively Managed	15.7%	15.7%	14.2%	R1000
Indexed	14.2%	14.2%	14.5%	S&P 500
International Equities				
Asia	93.8%	93.8%	48.9%	MSCI Pacific Basin Net
Europe	13.3%	13.3%	9.5%	MSCI Europe Net
Europe, Australia, the Far East	26.5%	26.5%	20.0%	MSCI EAFE Net
Real Estate	8.9%	9.1%	10.7%	R Canadian Property
Mortgages				
Fixed-term	4.7%	4.7%	3.3%	SCI Short-term Bonds + 1%
Construction	7.4%	7.4%	5.1%	SCI One-yr Bill + 1%

(Source: BC Investment Management Corporation)

Performance Benchmark Indices Abbreviations

SCI	=	Scotia Capital Inc.
S&P	=	Standard and Poor's
MSCI	=	Morgan Stanley Capital International
R	=	Russell
TSE	=	Toronto Stock Exchange

ACTUARIAL VALUATION/ PLAN FUNDING

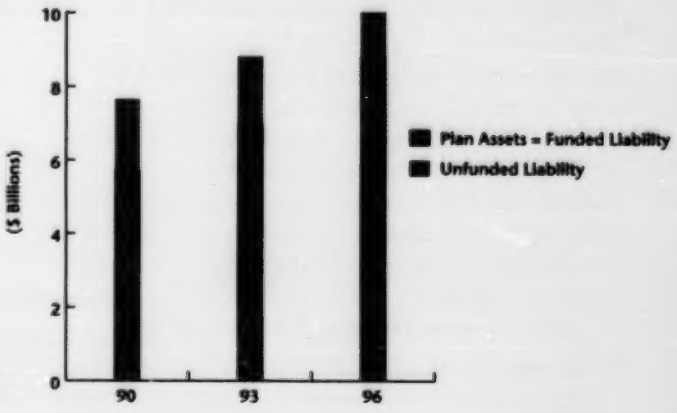
At least every three years, an independent actuary assesses the plan's financial health and the adequacy of the contribution rates for funding the pension plan. To assess funding, the valuation considers benefits a member has actually earned to date (accrued benefits), as well as benefits a member is likely to earn for future service.

The most recent actuarial valuation viewed the plan as at December 31, 1996. The next valuation will be as at December 31, 1999, and results are anticipated in late 2000.

The plan's funding policy provides for the long-term reduction of the unfunded liability. In the most recent valuation, the plan's unfunded liability had decreased to $1.34 billion from $1.72 billion in the previous valuation in 1993.

A key indication of the plan's relative financial health is the unfunded liability as a percentage of the membership payroll covered by the plan. Over the last three valuations, the unfunded liability decreased as a percentage of covered payroll, and in 1996 it shrank to 66% of payroll from 92% in 1993. The indicator will be examined again as at December 31, 1999.

TOTAL BASIC BENEFIT LIABILITY FOR FUNDING PURPOSES



LATEST ACTUARIAL VALUATION, DECEMBER 31, 1996

($ Billions)

	Basic Pension Benefits Net Unfunded Liability		
	1996	1993	1990
For Funding Purposes (statutory contributions)*	$1.34	$1.72	$1.88
Ratio of Unfunded Liability to Covered Payroll*	66%	92%	120%
Based on Accrued Benefits to December 31	$1.42	$1.78	$1.94

*Assuming contributions continue at existing statutory rates.

MEMBER SERVICES

CONTRIBUTIONS AND CONTRIBUTORS

The number of active contributors in the Teachers' Pension Plan has remained relatively unchanged, with only a .9% increase in 1999. Today there are over 47,000 active contributors and over 58,000 total contributors.

Employee and employer contributions increased to $350 million in 1999, compared to $346 million in 1998. However, total contributions decreased overall because an additional contribution of $9.7 million from the Province of British Columbia was paid for the 1998 early retirement incentive program.

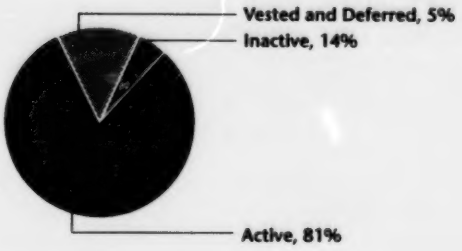
There are three categories of contributors.

- Active—those who are currently contributing, or are receiving benefits from an approved salary continuance plan or are on a leave of absence. (In the historical numbers of active and inactive contributors, the number of active members now includes those on leaves of absence.)
- Vested and deferred—those who have terminated their employment and are eligible for a pension.
- Inactive—those who have terminated their employment with contribution balances on record but are not eligible for a pension in the future.

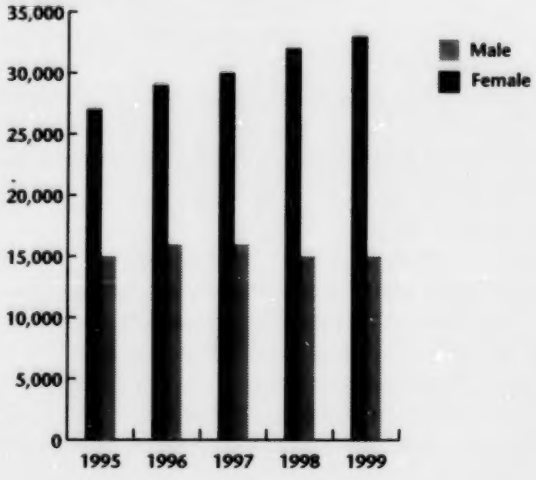
NUMBER OF CONTRIBUTORS

	Active	Inactive	Vested and Deferred	Total
1995	43,524	12,461	1,205	57,190
1996	45,387	11,623	1,016	58,036
1997	46,510	11,288	1,019	58,817
1998	46,986	11,239	966	59,191
1999	47,412	8,142	2,667	58,221

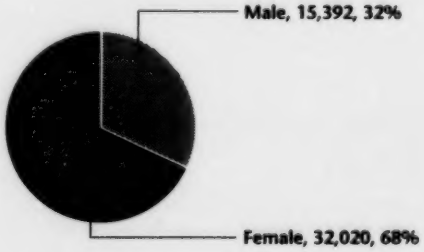
1999 CONTRIBUTOR PROFILE



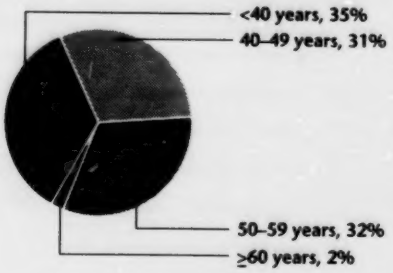
ACTIVE CONTRIBUTORS



1999 ACTIVE CONTRIBUTOR PROFILE



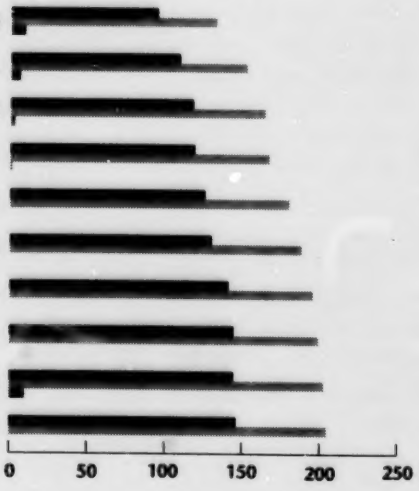
1999 AGE PROFILE OF ACTIVE CONTRIBUTORS



CONTRIBUTIONS

($ Millions)

Member	Employer	Early Retirement Funding From the Province
$ 94.21	$132.44	$9.14
108.72	152.40	5.81
117.43	164.25	2.55
118.61	167.07	0.90
125.32	179.47	–
129.60	187.81	–
140.52	195.26	–
144.08	199.08	–
144.05	202.26	9.69
$145.99	$204.40	–



TERMINATION BENEFITS

A terminating member may be eligible for one or more of the following benefits:

- a refund of contributions with interest
- a transfer of the commuted value of the pension benefit to a locked-in registered retirement savings plan or a registered pension plan, or
- a deferred pension.

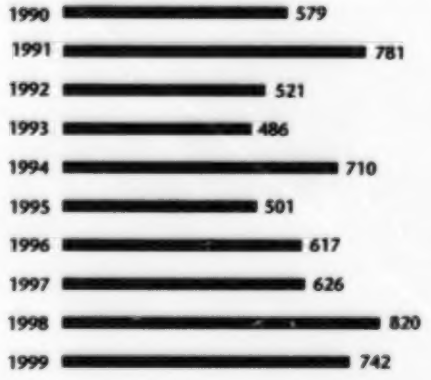
The number of termination benefits paid can vary from year to year, depending on the employment environment. There have been significant fluctuations over the last 10 years. The numbers of termination benefits paid in 1991, 1994, 1998 and 1999 were relatively high.

The number of termination benefits paid in 1999 decreased 10% from 1998 whereas the value of benefits paid decreased by only 0.4% ($50,000). Since 1993, the value of a termination benefit has increased significantly with the introduction of the commuted value payment, which allows members to transfer the commuted value of their pension to a locked-in registered retirement savings plan or equivalent vehicle. Typically, commuted values, which represent the net present value of a future pension entitlement, are significantly higher in dollar value than members' personal accumulated contributions.

If a member leaves the plan and is eligible for a refund of contributions, the refund includes interest. Interest compounds annually and is credited to the member's contribution balance. The balance, including interest, is included in the plan member's annual benefit statement.

The rate of interest is governed by pension standards and pension plan legislation and is based on average five-year bank personal term deposit rates.

NUMBER OF TERMINATION BENEFITS PAID



VALUE OF TERMINATION BENEFITS PAID

Termination benefits paid include only refunds of contributions and commuted-value payments; deferred pensions are included in pension statistics.

ANNUAL RATES FOR INTEREST CREDITED TO CONTRIBUTION BALANCES

1990	8.25%
1991	7.50%
1992	6.00%
1993	5.45%
1994	6.49%
1995	6.88%
1996	5.47%
1997	4.54%
1998	4.30%
1999	4.56%

PENSIONS

The number of pensioners continues to grow. The number of pensions granted in 1999 increased 22% over the number granted in 1998. The number of pensioners on payroll increased 10%.

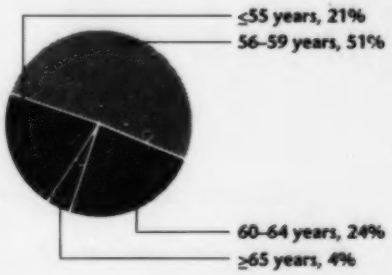
Pensions are paid at the end of each month, beginning with whichever of the following comes latest:

- the month following the month in which the plan member becomes eligible, or
- the month following the month in which the plan member receives the final salary, or
- the month in which the Pension Corporation receives the member's application.

The plan pays a full month's pension for the month in which a pensioner dies.

Basic pensions have a significant value. The value of a basic pension depends on a number of factors, including the member's age, salary and years of service at retirement. The accompanying table shows the average asset value ("present value") of pensions granted during 1999. The value represents approximately how much it would cost to purchase an average basic pension, including partial indexing, provided under the Teachers' Pension Plan.

PERCENTAGE OF 1999 NORMAL PENSIONS GRANTED BY AGE



VALUE OF NORMAL PENSIONS GRANTED JANUARY 1, 1999 TO DECEMBER 31, 1999

Subdivided by Years of Service

Years of Service*	Number of Pensions Granted	Average Annual Salary Base	Average Annual Pension (Single Life Option)	Average Present Value of Pensions	Total Present Value of Pensions ($ Millions)
<10 years	56	$51,000	$ 4,000	$ 56,000	$ 3
10–14	69	53,000	9,000	159,000	11
15–19	109	55,000	14,000	231,000	25
20–24	187	57,000	19,000	317,000	59
25–29	318	59,000	24,000	410,000	130
30–34	581	62,000	31,000	529,000	307
≥35 years	174	64,000	36,000	534,000	93
Total	1,494	n/a	n/a	n/a	$628
All Pension Average	n/a	$59,000	$24,000	$420,000	n/a

*Years of Service includes service transferred from other plans.

PENSIONS 1990–1999

	Granted during Year	Pension Terminations	In Force at End of Year	Basic Pensions Paid ($ Millions)	Inflation Supplements Paid ($ Millions)	Total ($ Millions)
1990	370	178	9,550	$122.5	$37.9	$160.4
1991	421	160	9,811	127.1	42.7	169.8
1992	506	181	10,136	133.4	49.7	183.1
1993	503	201	10,438	140.5	50.9	191.4
1994	668	228	10,878	150.1	52.9	203.0
1995	1,050	207	11,721	170.3	51.9	222.2
1996	970	228	12,463	192.0	54.9	246.9
1997	1,048	201	13,310	214.2	56.7	270.9
1998	1,370	291	14,389	242.2	58.8	301.2
1999	1,673	262	15,800	$277.4	$58.4	$335.8

PENSIONS GRANTED, BY TYPE 1990–1999

	Normal*	Death*	Disability	LTD+	Deferred	Total
1990	266	23	6	26	49	370
1991	306	17	9	24	65	421
1992	369	33	11	27	66	506
1993	369	17	15	28	74	503
1994	540	15	13	30	70	668
1995	883	18	5	56	88	1,050
1996	787	13	9	60	101	970
1997	896	14	5	52	81	1,048
1998	1,207	19	5	54	85	1,370
1999	1,494	9	3	83	84	1,673

*Pensions granted do not include any pension continued to a beneficiary upon the death of a pensioner.
+LTD pensions are those for members on long-term disability who became eligible for a regular pension.

1999 NORMAL PENSIONS GRANTED BY AGE AT RETIREMENT

Subdivided by years of service and age at retirement

Years of Service	55	56–59	60–64	65	Total
<10 years	8	24	13	11	56
10–14	13	30	19	7	69
15–19	18	55	25	11	109
20–24	41	79	59	8	187
25–29	74	135	102	7	318
30–34	141	345	84	11	581
≥35 years	24	95	49	6	174
Total	319	763	351	61	1,494

PERCENTAGE OF 1999 NORMAL PENSIONS BY YEARS OF SERVICE

<10 years	4%
10–14	5%
15–19	7%
20–24	12%
25–29	21%
30–34	39%
35+	12%
	100%

OTHER

Portability Provisions

Portability allows pension plan members to carry pension rights from one plan to another. For instance, members of the Teachers' Pension Plan may carry their years of pensionable service and contributions to a new plan at a different place of employment if the new plan has a portability agreement with the Teachers' Pension Plan. Employers that allow pension plan members to transfer their pension rights to other pension plans are called "reciprocal employers."

Members of the Teachers' Pension Plan who have made contributions to another pension plan should inquire about portability agreements.

In 1999, there were 466 reciprocal transfers in from other agencies and 67 transfers out. The transfers in totalled approximately $16.9 million; transfers out totalled approximately $2.9 million. As a result of changes in inter-plan portability provisions, transfers now include those between the Teachers' Pension Plan and three other BC public-sector plans (College, Municipal, and Public Service).

Purchase of Additional Service

It may be possible for plan members to purchase additional service. This service may include:

- approved leaves of absence
- arrears contributions, or
- reinstatement of refunded contributions.

The number and value of purchases of additional service decreased from 1998 to 1999. However, purchase levels have more than doubled since 1995.

Communications

The board continues to make communicating with plan members a priority. Recent initiatives include a public web site that the Pension Corporation introduced in 1999. The address of this web site is www.pensions.gov.bc.ca. The corporation also continues to produce *Pensionfacts*, a series of information sheets on various topics, as well as a pensioner newsletter.

MEMBER AND EMPLOYER PURCHASES OF ADDITIONAL SERVICE

	Number of Purchases		Value of Purchases ($ Thousands)	
	1999	1998	1999	1998
Approved Leaves of Absence	909	963	$ 3,584	$ 4,205
Arrears Contributions	63	81	278	320
Reinstatement of Refunded Contributions	638	733	7,894	7,665
Total	1,610	1,777	$11,756	$12,191

Report of the Auditor General of British Columbia

To the Members of the Teachers' Pension Board, and

To the Minister of Finance and Corporate Relations, Province of British Columbia:

I have audited the statement of net assets available for benefits of the *Teachers' Pension Plan* as at December 31, 1999 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the British Columbia Pension Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Teachers' Pension Plan* as at December 31, 1999 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Wayne Strelioff

Victoria, British Columbia
April 26, 2000

Wayne Strelioff, CA
Auditor General

PENSION
CORPORATION

Executive
Offices

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Stn Prov Govt
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V8W 9V8

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TEACHERS' PENSION PLAN

ADMINISTRATOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Teachers' Pension Plan were prepared by the British Columbia Pension Corporation (previously known as the Superannuation Commission), the benefit administrator for the plan. The corporation is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Annual Report for the plan conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, the corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Partners Ltd. has been appointed the independent consulting actuary to the plan. The role of the actuary is to complete an actuarial valuation of the plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The Auditor General of British Columbia has performed an independent audit of the financial statements of the plan in accordance with generally accepted auditing standards. The resulting audit opinion is set out in the Report of the Auditor General attached to these financial statements.

JOHN A. MOCHRIE
Chief Executive Officer
British Columbia Pension Corporation

P. LOUISE YOUNG, C.A.,
Vice-President, Information Management,
Finance and Administration
British Columbia Pension Corporation

April 26, 2000

TEACHERS' PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

December 31	1999	1998
ASSETS		
Investments (Note 3)	$ 10,395,292	$ 9,083,848
Receivables		
Members' contributions	6,475	7,944
Employers' contributions	9,199	12,764
Accrued interest and dividends	699	822
Other	81	6
	16,454	21,536
Prepaid expense	1,128	857
Cash	10,924	10,819
Total Assets	10,423,798	9,117,060
LIABILITIES		
Accounts payable and accrued expenses	11,319	8,549
Total Liabilities	11,319	8,549
NET ASSETS AVAILABLE FOR BENEFITS	$ 10,412,479	$ 9,108,511

Obligations for Accrued Pension Benefits for Accounting Purposes (Note 7)

The 10 accompanying notes are an integral part of these financial statements.

John W. Cook, F.C.I.A.,
Chair, Teachers' Pension Board,
Trustee

TEACHERS' PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

For the year ended December 31	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Totals 1999	Totals 1998
INCREASE IN ASSETS					
Net investment income (Note 4)	$1,102,282	$ 210,347	$ -	$ 1,312,629	$ 792,506
Contributions (Note 5)					
Members	124,328	21,661	-	145,989	144,052
Employers	180,093	5,754	18,549	204,396	202,263
Province	-	-	-	-	9,692
	304,421	27,415	18,549	350,385	356,007
Transfers from other plans	15,675	1,220	-	16,895	11,261
Total Increase in Assets	1,422,378	238,982	18,549	1,679,909	1,159,774
DECREASE IN ASSETS					
Pension benefits paid					
Contributory	277,326	-	27	277,353	242,408
Indexing supplements	58,444	-	-	58,444	58,830
	335,770	-	27	335,797	301,238
Termination benefits paid	11,167	1,754	-	12,921	12,971
Transfers to other plans	2,601	335	-	2,936	3,695
Retired member group benefits	-	-	18,461	18,461	15,727
Administration costs (Note 9)	5,765	-	61	5,826	6,345
Total Decrease in Assets	355,303	2,089	18,549	375,941	339,976
INCREASE IN NET ASSETS BEFORE TRANSFERS	1,067,075	236,893	-	1,303,968	819,798
Account transfers (Note 6)	(193,496)	193,496	-	-	-
INCREASE IN NET ASSETS	873,579	430,389	-	1,303,968	819,798
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	7,679,290	1,429,221	-	9,108,511	8,288,713
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$8,552,869	$1,859,610	$ -	$10,412,479	$ 9,108,511

Supplemental Benefits Account (Note 10)

TEACHERS' PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

1. DESCRIPTION OF THE TEACHERS' PENSION PLAN

The *Public Service Pension Plans Act* was passed by the BC legislature on July 15, 1999 but was not yet in force at December 31, 1999. Effective April 1, 2000, the existing Pension (Teachers') Act and related regulations are repealed and the Teachers' Pension Plan becomes governed by Schedule D of the new act. The following brief description of the plan is provided for general information only. For more information refer to the acts.

a) General

The plan is a contributory defined benefit pension plan open to all certified teachers and to superintendents or assistant superintendents appointed by a board of school trustees in the British Columbia public school system.

b) Roles and Responsibilities

The Teachers' Pension Board oversees the administration of the pension plan. The chair of the Teachers' Pension Board is the trustee.

Up until December 31, 1999 the trustee placed funds for investment with the Office of the Chief Investment Officer of the Ministry of Finance and Corporate Relations (OCIO). On January 1, 2000, the *Public Service Pension Plans Act* creates a new crown corporation, the British Columbia Investment Management Corporation to replace the OCIO and to continue carrying out the day-to-day investment management services for the pension fund.

Up until March 31, 2000 pension benefits are administered on behalf of the plan by the Superannuation Commission of the Ministry of Finance and Corporate Relations. On April 1, 2000, the *Public Service Pension Plans Act* creates the British Columbia Pension Corporation to replace the commission and to continue carrying out benefit administration services.

c) Pension Benefits

All members with two years of contributory service are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65;
- at age 60, with at least 2 years contributory service; or
- at age 55 or older, with age plus years of service equalling 90 or more.

TEACHERS' PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

1. DESCRIPTION OF THE TEACHERS' PENSION PLAN (continued)

c) Pension Benefits (continued)

Other retiring members have a reduction formula applied to their pensions.

The plan benefit is integrated with the Canada Pension Plan (CPP). As a result, the plan provides an unreduced benefit of 1.3% of pensionable earnings, up to the CPP Year's Maximum Pensionable Earnings (YMPE) and 2% of pensionable earnings over the YMPE, for each year of pensionable service (to a maximum of 35 years). Pensionable earnings is based on the member's highest five-year average salary (HAS). The plan also provides a bridging benefit with CPP which is payable to age 65 (or the date of death, if earlier). The unreduced bridging benefit is .7% of the lesser of YMPE or the HAS, for each year of the member's pensionable service since January 1, 1966 (when CPP was introduced).

Increases to pension payments are provided each January 1 in accordance with the indexing provisions of the plan. These increases are based on the annual increase in the Consumer Price Index (CPI) as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account (Note 6).

At January 1, 1999 retired members received a full CPI increase of .7% (1998 – 1.6%); at January 1, 2000 retired members will receive a full CPI increase of 2.6%.

d) Termination Benefits and Reciprocal Arrangements

A terminating member who is not eligible for a pension may receive a refund of contributions with interest. A terminating member who is eligible for a pension, may choose one or more of the following benefits:

- a deferred pension; or
- a transfer of the commuted value of the pension benefit to a locked-in or similar tax-sheltered plan.

For deferred pension benefits, the highest five-year average annual salary used in the benefit calculation is adjusted at the time the pension is granted for cost of living changes during the deferral period.

The plan has reciprocal pension arrangements with certain other pension plans which may benefit members who have service under those plans.

TEACHERS' PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

1. DESCRIPTION OF THE TEACHERS' PENSION PLAN (continued)

e) Other Benefits

Supplemental (Note 10), disability and survivor benefits are also available under the plan. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefits.

f) Income Taxes

The plan is a Registered Pension Plan (RPP) as defined in the *Income Tax Act (Canada)* and is not subject to income taxes, except for any supplemental benefits (Note 10) which are provided in addition to the RPP.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements present the aggregate financial position of the plan as a separate financial reporting entity, independent of the plan's contributing employers and members.

b) Investments

Investments are stated at market value. Market value is derived from external quotations or appraisals. Investment purchases and sales are recorded on trade date.

c) Investment Income

Investment income is recorded on the accrual basis.

TEACHERS' PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

3. INVESTMENTS (Market Value)

	1999			1998
	Basic Account	Inflation Adjustment Account	Total	Total
			($ Thousands)	
Short-term	$ 47,551	$ 22,362	$ 69,913	$ 167,004
Canadian Bonds	2,331,924	471,855	2,803,779	2,748,582
Canadian Equities	3,357,274	627,834	3,985,108	3,271,022
U.S. Equities	976,144	179,144	1,155,288	981,775
International Equities	958,679	171,862	1,130,541	869,095
Mortgages	299,889	55,995	355,884	285,117
Real Estate	597,784	111,677	709,461	672,950
Private Placements	185,318	-	185,318	88,303
	$8,754,563	$1,640,729	$10,395,292	$9,083,848

Pension plan investments consist primarily of direct ownership in units of pooled investment portfolios, managed by the British Columbia Investment Management Corporation. Each unit gives its holder a proportionate share in the net assets of the pooled fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities.

Short-term investments consist of Canadian money market securities, such as treasury bills, with terms of 15 months or less. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares, and in the case of international equities refer to investments in Europe, Australia and the Far East. Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of Canadian diversified income-producing properties. Private placements refer to Canadian and international long-term debt or equity investments made outside the structure of public markets.

TEACHERS' PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

4. INVESTMENT INCOME

	1999			1998
	Income Allocation	Current Period Change In Market Value	Total	Total
			($ Thousands)	
Basic Account				
Short-term	$ 3,715	$ (91)	$ 3,624	$ 4,352
Canadian Bonds	141,892	(167,507)	(25,615)	199,159
Canadian Equities	48,940	686,617	735,557	(11,438)
U.S. Equities	13,203	111,636	124,839	260,266
International Equities	14,815	194,109	208,924	170,188
Mortgages	18,167	(4,076)	14,091	15,428
Real Estate	28,641	25,678	54,319	68,070
Private Placements	3,547	(6,799)	(3,252)	1,918
	$272,920	$ 839,567	$1,112,487	$707,943
Investment Management Costs			(10,205)	(10,687)
Net Investment Income			$1,102,282	$697,256
Inflation Adjustment Account				
Short-term	$ 1,337	$ (6)	$ 1,331	$ 779
Canadian Bonds	26,971	(23,076)	3,895	28,228
Canadian Equities	8,837	128,243	137,080	(9,357)
U.S. Equities	2,353	19,869	22,222	38,695
International Equities	2,641	32,842	35,483	26,017
Mortgages	3,023	(760)	2,263	2,020
Real Estate	5,098	4,651	9,749	10,417
	$ 50,260	$ 161,763	$ 212,023	$ 96,799
Investment Management Costs			(1,676)	(1,549)
Net Investment Income			$ 210,347	$ 95,250
Total Basic and Inflation Adjustment Accounts				
Total Investment Income			$1,324,510	$804,742
Total Investment Management Costs			(11,881)	(12,236)
Total Net Investment Income			$1,312,629	$792,506

The income allocation portion of investment income represents pooled investment portfolio income attributable to the pension fund, as a unitholder, and as calculated by the British Columbia Investment Management Corporation, as well as interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

TEACHERS' PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

5. CONTRIBUTIONS

	1999				1998
	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Total	Total
				($ Thousands)	
Members' contributions					
Regular	$114,924	$21,225	$ -	$136,149	$134,187
Arrears	115	14	-	129	133
Leave of absence	1,564	253	-	1,817	2,067
Refund reinstatement	7,725	169	-	7,894	7,665
	124,328	21,661	-	145,989	144,052
Employers' contributions					
Regular	178,427	5,504	-	183,931	183,669
Arrears	136	13	-	149	187
Leave of absence	1,530	237	-	1,767	2,138
Supplemental benefits	-	-	18,549	18,549	16,269
	180,093	5,754	18,549	204,396	202,263
Province's contributions					
Early Retirement Incentive Program	-	-	-	-	9,692
Total Contributions	$304,421	$27,415	$18,549	$350,385	$356,007

The Province of British Columbia paid $9.7 million to the pension fund in 1998 to fund the cost of a 1998 early retirement incentive program for teachers.

6. ACCOUNT TRANSFERS

	1999		1998	
	Basic Account	Inflation Adjustment Account	Basic Account	Inflation Adjustment Account
		($ Thousands)		
Present value of current indexing supplements	$ 18,615	$ (18,615)	$ 37,921	$ (37,921)
Indexing of deferred pensions	1,630	(1,630)	2,109	(2,109)
Excess interest	(213,741)	213,741	(145,895)	145,895
Other	-	-	1	(1)
	$(193,496)	$193,496	$ (105,864)	$105,864

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6. ACCOUNT TRANSFERS (continued)

A separate account is maintained for funding current and future indexing supplements. This Inflation Adjustment Account is funded through a portion of ongoing contributions from employers and members (Note 8), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

All pension payments are made from the Basic Account. Each year, when members' pension payments are adjusted for current indexing, monies are transferred from the Inflation Adjustment Account to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is also transferred from the Inflation Adjustment Account to the Basic Account.

Excess interest is based only on investment income earned on those Basic Account assets required for pensions currently being paid (approximately $3.0 billion of assets for 1999; $2.7 billion for 1998). The excess interest rate of return is determined by taking the difference between the actual market rate of return and the rate of return used by the actuary (7.5%) in valuing the plan's liabilities. The actual rate of return is based on a five-year average. The calculated excess interest rate of return for 1999 was 7.1%. Should the excess interest rate calculation ever result in a negative return, the negative return will be carried forward and offset against future excess returns.

7. OBLIGATIONS FOR ACCRUED PENSION BENEFITS FOR ACCOUNTING PURPOSES

For accounting purposes, the plan actuary values pension assets as at, and pension liabilities accrued to, the financial statement date. An actuarial valuation is performed every three years. The latest valuation was made as at December 31, 1996 by Eckler Partners Ltd. At that valuation, net assets were $5.39 billion (1993 - $3.93 billion) and liabilities for accrued pension benefits were $6.81 billion (1993 - $5.71 billion), resulting in a net deficiency of $1.42 billion (1993 - $1.78 billion).

The present value of liabilities for accrued basic pension benefits was determined using the projected benefit method prorated on service. Accrued basic pension benefits include all indexing granted to the date of valuation, but not future indexing. The underlying basis for the net asset valuation is a five-year investment

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7. OBLIGATIONS FOR ACCRUED PENSION BENEFITS FOR ACCOUNTING PURPOSES (continued)

market smoothing. Actuarial liabilities and net assets reflect the following long-term actuarial assumptions:

- annual investment return 7.50%
- annual salary escalation rate 5.00%

The next formal actuarial valuation will be as at December 31, 1999, but will not be available until December 31, 2000.

It is required that extrapolations between valuations be calculated and one has been done to December 31, 1999 using the 1996 long-term assumptions. However, extrapolations are not reliable indicators of the next valuation results nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long-term assumptions, of necessity, used in the extrapolation. On that basis, the extrapolated deficit to December 31, 1999 is $1.7 billion.

8. FUNDING

a) Contributions

Basic Account

Members contribute to the Basic Account 5.0% of salaries up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) ($37,400 in 1999) and 6.5% of salaries above that.

Employers contribute to the Basic Account 8.0% of salaries up to the YMPE and 9.5% of salaries above that, less amounts allocated to the Supplemental Benefits Account (1999 - $45,000; 1998 - $358,000) (see Note 10).

The resulting combined member and employer contribution rate as at December 31, 1999 for salaries above the YMPE is 16.0%.

Inflation Adjustment Account and Supplemental Benefits Account

Members contribute 1.0% of salaries to the Inflation Adjustment Account and employers contribute 1.13% of salaries to the Inflation Adjustment Account, less

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8. FUNDING (continued)

a) Contributions (continued)

Inflation Adjustment Account and Supplemental Benefits Account (continued)

amounts allocated to the Supplemental Benefits Account (1999 - $18.5 million; 1998 - $15.9 million) (see Note 10).

b) Actuarial Valuation for Funding Purposes

An actuarial valuation of the plan's assets and pension obligations is performed every three years to determine an appropriate combined employer and member contribution rate to fund the plan. For this purpose, the plan actuary values both accrued assets and benefit obligations to the financial statement date, as well as contributions and benefits for future service. The actuary's calculated contribution rate is based on a level contribution method. Using this method, the contribution rate consists of two elements:

- a level rate which will fully pay for benefits earned by typical new entrants to the plan; and
- a level rate which will maintain the plan's unfunded actuarial liability (UAL) as a constant percentage of employer payroll, assuming future contributions are also made at the above rate.

The most recent actuarial valuation for funding purposes was prepared as at December 31, 1996. This valuation disclosed an unfunded liability for basic pension benefits of $1.34 billion (1993 - $1.72 billion), assuming future contributions at the existing statutory rates.

As a result of this valuation, the actuary's calculated level contribution rate for basic pension benefits was 16.43% for salaries above the YMPE. However, in accordance with the act, the contribution rate has not been increased, as discussed in Note 8(c) below.

The following table shows a key indicator of the financial health of a pension plan, the unfunded actuarial liability (UAL)/surplus as a percentage of payroll, for the four most recent actuarial valuations. (Values shown in the table assume future contributions at the statutory rates in place at the time, rather than the actuary's calculated rates.)

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8. FUNDING (continued)

b) Actuarial Valuation for Funding Purposes (continued)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (b)	Unfunded Actuarial Liability (UAL) (c)	Covered Payroll (d)	UAL as a Percentage of Payroll (c/d)
		($ Billions)			
1987	$4.24	$ 5.85	$1.61	$1.17	138%
1990	5.68	7.56	1.88	1.57	120%
1993	7.07	8.79	1.72	1.87	92%
1996	8.77	10.11	1.34	2.03	66%

c) Funding Policy

July 1994 changes to the act affirmed the level contribution method as the funding policy for the plan. This policy calls for any increases in the UAL as a percentage of employer payroll to be amortized, by way of an increase in employer contributions, over not more than 15 years. However, the legislation also requires, on a transitional basis, that no increase in employer contributions is to occur, as long as the plan's financial experience remains the same or continues to improve from one valuation to the next, based on the UAL as a percentage of employer payroll (see table in Note 8(b)). The act also requires that if the UAL increases as a percentage of payroll from one actuarial valuation to the next, and:

- if the UAL is greater than 50%, then employer contribution rates will be increased to reduce the UAL to 50% over not more than 35 years; or
- if the UAL is 50% or less, then the long-term funding policy becomes effective, and the contribution rate recommended by the actuary, based on that policy, will be implemented.

If a surplus arises, it may be amortized, by a reduction in employer contributions, over not less than 15 years.

As noted in the final column of the table in Note 8(b), the plan's financial status improved at the last valuation and accordingly, the statutory contribution rates have not been increased.

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9. RELATED PARTY TRANSACTIONS

a) Administration Costs

Administration costs include general administration costs and actuarial fees. General administration costs incurred by the British Columbia Pension Corporation are prorated and charged to each pension plan under its administration based primarily on the relative numbers of members in each plan. General administration costs include all salaries, Teachers' Pension Board expenses, and other operating and administration costs.

b) Investment Management Costs

The British Columbia Investment Management Corporation has statutory responsibility for managing investments on behalf of the plan and uses internal and external investment managers for this purpose. Total investment management fees for 1999 were $11.88 million. Of this amount, $.78 million was charged for internal investment management services (1998 - total fees $12.24 million; internal management services $1.14 million).

10. SUPPLEMENTAL BENEFITS ACCOUNT

The Supplemental Benefits Account provides for the payment and funding of supplemental benefits, such as contributions and pension benefits which exceed *Income Tax Act (Canada)* limits for registered pension plans, and group medical, extended health and dental benefits for retired members. Retired member group benefits are fully funded by employer contributions.